

MINUTES OF THE REGULAR MEETING
OF THE HOUSING AND COMMUNITY DEVELOPMENT
CORPORATION OF HAWAII
HELD AT THEIR OFFICE AT 677 QUEEN STREET
ON THURSDAY, DECEMBER 15, 2005,
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

The Board of Directors of the Housing and Community Development Corporation of Hawaii met for a regular meeting at 677 Queen Street, on Thursday, December 15, 2005 at 9:00 a.m.

The meeting was called to order by Vice Chairman Charles King and, on roll call, those present and absent were as follows:

CALL TO
ORDER/
ROLL CALL

PRESENT: Director Charles King
Designee Rick Manayan
Designee Henry Oliva
Director Charles Sted (arrived at 9:10 a.m.)
Director Linda Smith
Director Travis O. Thompson

Executive Director Stephanie Aveiro

EXCUSED: Director Francis L. Jung

Staff Present: Sandra Ching, Deputy Attorney General
Pamela Dodson, Executive Assistant
Janice Takahashi, Chief Planner
Mavis Masaki, Legislative Coordinator
Jeanne Hamilton, Planner
Darren Ueki, Finance Manager
Marcia Kamiya, Sales Coordinator
Tom Otake, Acting Development Section Chief
Stan Fujimoto, Project Manager
Chris Sadayasu, Project Coordinator
Leonell Domingo, Project Coordinator
Edmund Morimoto, Construction Management Section Chief
Derek Fujikami, Construction Management Section Chief
Sahar Ibrahim, Project Engineer
Kevin Funasaki, Construction Management Section Chief
Patti Miyamoto, Acting Administrative Services Officer
Lili Funakoshi, Hearings Officer
Sandra Miyoshi, Homeless Office Branch Chief
Dexter Ching, Section 8 Branch Chief
Barbara Arashiro, Resident Services Section Chief
Shirley Higa, Board Secretary

Others: Tony Gaston, Castle & Cooke
Andrew Furuta, Castle & Cooke
Rick Prahler, Castle & Cooke
Ryan Harada, Central Pacific Bank
Lloyd Sueda, Architect
Raleigh Awaya, Plantation Town Tower
Mike Kimura, Plantation Town Tower
Gary Furuta, GSF, Inc.
Keith Sawamura, Design Partners
Phil Hauret, HECO
Wilcox Choy, KMH LLP
Nhi Tran, Legal Aid

Others (Cont'd): Monique Ocampo, RAB
Luisa Wieckowilz, ITOR
Patricia Deliz, ITOR
C.C. Curry, Inter-Agency Coordination Councils Org.

The Vice Chairman declared a quorum present.

QUORUM

Executive Director Stephanie Aveiro requested that the Board consider changing the meeting dates in January 2006 and April 2006 due to the Public Housing Authority (PHA) Plan that will be submitted to HUD in accordance to their timetable. The proposed dates are as follows:

Thursday, January 26, 2006; and
Thursday, April 13, 2006

OFFICE
OF
EXECUTIVE
DIRECTOR
REPORT -
REQUEST
TO
CHANGE
MEETING
DATES

The Vice Chairman commented that he had a prior commitment for January 26, 2006 and would therefore not be able to attend. As there were no objections voiced by the remaining members of the Board, the meeting dates for January and April were changed as staff had proposed.

Staff's recommendation was presented as follows:

That the Housing and Community Development Corporation of Hawaii's Board of Directors accept the audited financial statements for the fiscal year ending June 30, 2005.

ACCEPT
THE
AUDITED
FINAN-
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STATE-
MENTS
OF THE
HOUSING
AND
COMMUNITY
DEVELOP-
MENT
CORPORA-
TION OF
HAWAII
FOR THE
FISCAL
YEAR
ENDED
6/30/2005

Director Thompson moved, seconded by Designee Manayan

That staff's recommendation be approved.

Audit Subcommittee Chair Travis Thompson reported that he and Director Sted met with staff and the auditors, KMH LLP to review in detail the draft audit. HCDCH received a clean audit report, which states clearly the financial position of HCDCH as of June 30, 2005. Due to everyone's efforts, it was completed two months ahead of the completion of last year's audit.

The audit reveals that the agency has made tremendous progress with its net asset increasing by \$9.7 million primarily due to an increase in HUD's Capital Grants of \$8.5 million and approximately \$2 million in increase of the conveyance tax.

Mr. Thompson further reported that there were no significant areas of concern by the auditors. There were ten recommendations made last year, of which six have been completed; the remaining four recommendations show vast improvements and are relatively minor due to more of a timing issue. He expressed his appreciation to Wilcox Choy of KMH LLP and his staff who did an excellent job and is looking forward to next year's audit, which will be the last audit prior to the splitting of the agency.

(Chairman Charles Sted arrived at this time - 9:10 a.m.)

Wilcox Choy then addressed the Board acknowledging Executive Director Stephanie Aveiro, Acting Administrative Services Officer Patti Miyamoto and Chief Accountant Sherry Noguchi who provided valuable assistance during the audit.

Mr. Choy informed the Board that the audit was completed ahead of schedule due to various improvements such as the accounting process of the agency.

Mr. Thompson commended Sherry Noguchi for her exceptional and professional work that she does for the agency.

There being no further discussion, the motion was unanimously carried.

Staff's recommendation was presented as follows:

That the Housing and Community Development Corporation of Hawaii Board of Directors, adopt PHA/IHA Board Resolution, HUD Form 52574 approving the operating budget and calculation of the Performance Funding System Operating Subsidy.

Director King moved, seconded by Designee Oliva

That staff's recommendation be approved.

Finance Subcommittee Chair Travis Thompson stated that HCDCH must submit operating subsidy calculations to HUD for the Federal Low Rent Program. Although a plan has already been submitted for Fiscal Year 2006, the new plan is for operating subsidy based on a calendar year rather than fiscal year.

Director Thompson pointed out to the Board members that the operating reserves have been decreasing for the federal programs. He noted that at the end of the Fiscal Year Ending 2004, the operating reserve was approximately \$16.1 million as compared to the Fiscal Year Ending 2005 with an operating reserve of \$12.6 million. The projected operating reserve for Fiscal Year Ending 2006 is \$7.4 million. Within a two-year span, the operating reserve has decreased approximately \$8.5 million. It is therefore incumbent on the Board that it continuously monitor the situation with staff to prevent any negative feedback from HUD should they determine that there is an insufficient amount of operating reserves. Increasing the rental revenue is one factor that could help to increase the operating reserves.

Acting Administrative Services Officer Patti Miyamoto explained that the operating budget is based on occupancy of 87%. The subsidy is based on 96% as directed by HUD. The reserve of \$7.4 million maximizes the agency's score for the Public Housing Assessment System (PHAS).

Executive Director Stephanie Aveiro pointed out that staff has worked toward reducing the 23% vacancy rate. She acknowledged expending funds to make the vacant units ready for occupancy and recognizes the need to carefully monitor future expenditures due to the current reserve amount.

The Chair added that at the subcommittee meeting, there was discussion about potential relief from Legislative appropriation. Ms. Aveiro stated that staff is looking at a variety of ways to fund the repair and maintenance of the projects such as leveraging of the CAP funds which is allowable by HUD; submitting legislative appropriation requests for state funds for federal projects; and other options to increase the agency's resources.

Director Thompson commented that in future meetings, discussions should be held regarding the options that staff is considering due to the serious nature of the decreasing operating reserve amount.

There being no further discussion, the motion was unanimously carried.

APPROVAL
OF THE
CALCU-
LATION
OF
PERFORM-
ANCE
FUNDING
SYSTEM
OPERATING
SUBSIDY
FOR
CALENDAR
YEAR
2006
FOR THE
FEDERAL
LOW
RENT
PROGRAM

Staff's recommendation was presented as follows:

That the HCDCH Board of Directors approve the following proposals as recommended by the Kau`olu RFP selection committee and as discussed in this For Action, subject to such other terms and conditions as may be required by the Executive Director:

- A. Parcel 1; TMK (1) 9-4-17: por. 58. Plantation Town Towers LLC, and its proposal for a 330-unit (including up to 2 resident managers' units) affordable for sale condominium project;
- B. Parcel 2; TMK (1) 9-4-17:53 & 54. GSF, Inc., or other entity created for this purpose, and its proposal for a 70-unit (including a resident manager's unit) affordable for sale condominium project;
- C. Execution of development agreements with each development entity for their respective projects substantially consistent with this For Action; and
- D. Conveyance of title to Parcels 1 and 2 to the respective development entities in accordance with this For Action and the executed development agreements.

APPROVAL
OF
PROPOSALS
AND
EXECUTION
OF
DEVELOP-
MENT
AGREE-
MENTS
FOR NEW
PROJECTS
AT THE
KAU`OLU
(CROWN)
PROPER-
TIES
SUBDI-
VISION
IN
WAIPAHO,
OAHU,
HAWAII;
TMK
(1) 9-4-17:53,
54 &
PORTION
OF 58

Director King moved, seconded by Director Thompson

That staff's recommendation be approved.

Project Manager Stan Fujimoto reported that a Request for Proposals (RFP) was issued for new projects at the Kau`olu (Crown) Properties Subdivision. The objective of the RFP was to produce the maximum number of affordable units using the least amount of State resources. Some of the requirements of the RFP were:

- Developer may propose \$0 for the land;
- Affordable units may be for sale or rental units;
- Affordable is 140% and below the HUD median income;
- For Sale units may be in fee; rental project to be on ground lease;
- Project must be completed within five years of Board approval.

Staff received two proposals in response to the RFP. GSF, Inc. proposed new projects on both parcels; Plantation Town Towers LLC submitted a proposal for a new project on only one parcel. Both companies have had vast experience in Hawaii for developing affordable housing.

Gary Furuta, who has been active in developing rental projects using the tax credits program, heads GSF, Inc. The principal of Plantation Town Towers LLC is Mike Kimura who, over 30 years, has developed more than 1500 condominium and rental units.

The Selection Committee has recommended that parcel 1 be awarded to Plantation Town Towers LLC to develop a 330-unit affordable for sale condominium project. Two 12-story condominiums are being proposed. A separate community building is being planned. The target income group is 80-110% of the median income. The developer is proposing to compensate HCDCH 15% of the net proceeds or \$1.5 million for the fee simple title of the land under the condominium units. The developer will lease from HCDCH the area that encompasses the parking area for \$1.00 per year. This would enable HCDCH to receive further compensation by selling the fee title of the parking stalls to the condominium owners in the future.

GSF, Inc.'s proposal is for a 70-unit affordable for sale condominium project. The targeted market is 140% of the median income.

The proposals include General Excise Tax exemptions and the land. Other than these two requests, both proposals do not include usage of any other State resource.

Mr. Fujimoto continued that subsequent to receiving the proposals, a letter from Councilmember Nestor Garcia regarding the projects was received by staff. This letter was forwarded to both developers for follow up to the Councilmember.

Mr. Fujimoto then introduced Mike Kimura of Plantation Town Towers LLC. Mr. Kimura introduced his team members: Consultant Raleigh Awaya, Lloyd Sueda, Consulting Architect, and Ryan Harada, Central Pacific Bank.

Mr. Sueda reviewed the 330-unit proposed project with parking stalls for each unit. The project will have:

- 48 Jr. 1-bedroom (419 sq. ft.);
- 92 1-bedroom (509 sq. ft.);
- 146 2-bedroom (624 sq. ft.) and
- 44 3-bedroom (723 sq. ft.).

Every unit will have an open lanai, air conditioning, and washer/dryer. A separate recreational facility is planned for meetings as well as open pavilion areas for outdoor entertaining; playground equipment in another area for children's use is also being planned. The entire parcel will be a gated community as access to the residential area and parking will be via a security card or something of that nature.

Mr. Sueda noted that all 330 units would be affordable; no cost to the State; private funds will be used for the project; no government subsidies or tax credits will be requested. Additionally the developer is proposing to compensate the State by first subdividing the parcel into two parcels. The condominium units will be on the fee simple parcel. The development team is proposing to compensate the State with 15 percent of the net proceeds or \$1.5 million to purchase the fee simple interest; the remaining parcel will be leased from the State for \$1 per year. This then gives the State two options to pursue in the future. The State may consider selling the parking stalls which may, at \$25,000 per stall, net the State with approximately \$8.7 million in added revenues. A second option would be for another high-rise development, if a high rise parking structure is built to replace the open parking stalls for the condominium owners.

The project would require an HRS 201G exemption; a change in zoning from R-5 to A-2; change in height limit from 60' to 104' and General Excise tax exemptions. Mr. Sueda commented that the time schedule is very critical due to the rising construction costs and interest rates; and re-negotiation in labor union contracts in August 2007. The 16-month time schedule is very aggressive with February 2006 as a deadline for foundation approval.

Mr. Fujimoto then introduced Gary Furuta of GSF, Inc. to describe the 70-unit project for parcel 2.

Mr. Furuta explained that there would be 69 For Sale units with 1 Resident Manager Unit. All units will be 2 bedrooms (640 sq. ft.) with 85 parking stalls. The project will also be secured and the 69 units will be affordable with 140% of the median income. The 7-floor building will be lower in height than the existing building across from it.

Director Smith asked what State support would be required for the project. Mr. Furuta stated that General Excise tax exemption as well as HRS 201G zoning exemptions would be requested. Private funding will be used.

Director Smith noted that the project start date is later than that of parcel 1. Mr. Furuta stated that it was based on all required steps to obtain the 201G exemption and building permits. The timetable could probably move forward 6 months earlier.

Director Smith further noted that the developer had submitted proposals for both parcels and asked if receiving one approval would still be satisfactory to the developer. Mr. Furuta answered that it would still be viable.

Director King asked what would keep the units affordable. Acting Development Section Chief Tom Otake stated that HCDCH has a 10-year buyback and shared appreciation as part of the sales terms.

Director Thompson commended staff as the projects fulfill the objectives of the agency in providing affordable housing and is reflective of staff's thoroughness in preparing the RFP.

Director Smith commented that the key to the RFP was the criteria that were used as it provided for both For Sale and rental units; least usage of State resources and it maximized the private-public assets to develop affordable housing. She encouraged this in future RFPs adding that she would request that the Development Agreement be simplified and succinct as possible and that her comments about the Development Agreement for Kapolei apply to this project as well.

Director Thompson added that should there be obstacles that occur between HCDCH and the developers, that the developers not hesitate to approach the Board for resolution. He again expressed his pleasure and noted the importance for both projects to move forward.

Director Smith expressed her appreciation to Central Pacific Bank in providing the funding for both projects. She also suggested that the Board might want to consider pledging its support and assistance in the 201G process through its fellow governmental entities.

There being no further discussion, the motion was unanimously carried.

Staff's recommendation was presented as follows:

That the HCDCH Board of Directors:

- A. Approve the transfer of the 1.112 acre remnant parcel, identified as TMK (1) 9-1-16:90 (por.) to the Hawaiian Electric Company, Inc. as described in and attached to the body of this For Action.
- B. Authorize the Executive Director to make non-substantial revisions to and execute the quitclaim deed.

Director King moved, seconded by Director Thompson

That staff's recommendation be approved.

Project Coordinator Chris Sadayasu explained that the transfer of the remnant parcel to HECO would enable HECO to develop a substation to service future development in the Kapolei area. The subject property is zoned for preservation and therefore not developable for housing. Mr. Sadayasu then introduced Phil Hauret of HECO.

Director Thompson asked if there would be any compensation for the land. Mr. Hauret responded that could be an item for discussion noting that the site is ideal for HECO as it is close to the existing high voltage lines and some improvements and much of the infrastructure are already in place. The first user for the additional lines that are planned for installation would be the homeowners from the land being developed by the Department of Hawaiian Home Lands (DHHL).

Director Thompson asked if staff had considered requesting compensation for the parcel. Mr. Sadayasu answered that it did not; Executive Director Stephanie Aveiro added that HCDCH works closely with HECO in various developments where it is hoped that the same type of consideration for HCDCH may be returned by HECO in the future.

Director Smith commented that a public utility company (PUC) must pass its costs to the consumers and therefore this may be an appropriate public use by a PUC in the Kapolei community.

There being no further discussion, the motion was unanimously carried.

Staff's recommendation was presented as follows:

That the Housing and Community Development Corporation of Hawaii Board of Directors approve the amendment to Chapter 7 of the Admissions and Continued Occupancy Policy (ACOP).

Director King moved, seconded by Designee Oliva

That staff's recommendation be approved.

Section 8 and Applications Branch Chief Dexter Ching reported that Chapter 7 of the Admissions and Continued Occupancy Policy (ACOP) for Federal public housing needs to be revised to include HUD's Enterprise Income Verification (EIV). The EIV enables the Public Housing Authority (PHA) to verify

APPROVAL
OF THE
TRANSFER
TO THE
HAWAIIAN
ELECTRIC
COMPANY,
INC. OF A
1.112
ACRE
REMNANT
PARCEL
WITHIN
THE
VILLAGES
OF
KAPOLEI,
HONOULIULI,
EWA, OAHU,
HAWAII,
TMK
(1) 9-1-16:90
(POR.)

APPROVAL
OF THE
REVISION
TO
CHAPTER 7
OF THE
ADMIS-
SIONS
AND
CONTINUED
OCCUPANCY
POLICY
FOR
FEDERAL
PUBLIC
HOUSING
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a participant's reported income and thus identifying households that may under report their household's annual income. This system will provide social security information, wage data and wage benefits information for recipients throughout the United States. HUD requires the PHAs to update its ACOP to include this new system.

Director Thompson commented that this For Action item is very similar to For Action No. 8 and asked Mr. Ching to explain the differences and why two actions are necessary. Mr. Ching acknowledged that both chapters are the same. However in the public housing program, it is referred to ACOP; in the Section 8 program, it is referred to as the Administrative Plan.

Designee Oliva asked about the 3rd party verification process. Mr. Ching stated that HUD had allowed the PHAs to execute Memoranda of Agreement to receive the information. However, due to approximately \$1.2 billion in rental income that may have been understated by HUD, the EIV was established with HUD being the conduit. Upon receiving authorization from existing tenants, PHAs are allowed to extract information nationwide. This is not 3rd party verification as employers report to the national database and the information is filtered through HUD via the EIV system. HUD mandates all staff members who have access to the tenant files to go through relevant training for the system.

Director Smith noted that the action was not optional, as HUD requires all PHAs to use the EIV. She then asked if it were possible to use the system for those who are on the wait list in order to pre-screen the applicants. Mr. Ching answered that the system is limited to residents who are already in the public housing system and is used to verify their stated income.

Director Smith further asked that due to the tremendous amount of confidential information that will be stored in the system, who would be held liable should the confidentiality be breached. Acting Administrative Services Officer Patti Miyamoto answered that the PHA would be liable and not HUD. Executive Director Stephanie Aveiro added that there is much information as to what HCDCH needs to do to implement using this system; however, HUD has been silent as to any liability on their part. Director Smith suggested that staff pursue this issue, as other PHAs must have the same concerns. Ms. Aveiro agreed stating that she will inquire at the national level such as with National Association of Housing and Redevelopment Officials (NAHRO).

Director Thompson commented on Director Smith's query regarding using the system to pre-screen the applicants on the wait list by having them sign the authorization form allowing HCDCH to make an initial check in order to expedite filling the vacant units.

Mr. Ching stated that although the database is updated weekly, the system is used only at the time of the annual re-certification process of the residents and not at the time of the initial application.

There being no further business, the motion was unanimously carried.

Staff's recommendation was presented as follows:

That the Housing and Community Development Corporation of Hawaii Board of Directors approve the amendment to Chapter 7 of the Administrative Plan for the Section 8 Housing Choice Voucher Program.

Designee Manayan moved, seconded by Director Thompson

That staff's recommendation be approved.

DEPART-
MENT
OF
HOUSING
AND
URBAN
DEVELOP-
MENT'S
ENTERPRISE
INCOME
VERIFI-
CATION
SYSTEM

APPROVAL
OF THE
REVISION
TO
CHAPTER 7
OF THE
ADMINIS-
TRATIVE
PLAN
FOR THE
SECTION 8
HOUSING
CHOICE

Executive Director Stephanie Aveiro reported that the For Action is the same as the previous For Action that the Board approved, with the difference that it is applicable to the Section 8 Program.

There being no questions or comments, the motion was unanimously carried.

VOUCHER
PROGRAM
TO INCLUDE
THE USE
OF THE
DEPART-
MENT OF
HOUSING
AND URBAN
DEVELOP-
MENT'S
ENTER-
PRISE
INCOME
VERIFI-
CATION
SYSTEM

Staff's recommendation was presented as follows:

That the HCDCH Board of Directors approve Resolution No. 101 Expressing Support of County Affordable Housing Efforts and Offering HCDCH Assistance to Work Together to Facilitate the Development of Affordable Housing.

Designee Manayan moved, seconded by Director King

That staff's recommendation be approved.

Chief Planner Janice Takahashi reported that after staff received direction from the Board at a previous Board meeting, it contacted all Counties to ascertain what actions they are currently undertaking relative to facilitating development of affordable housing. It was learned that all counties have their own initiatives and are making progress with this issue. Resolution No 101 expresses HCDCH's support for each County's initiative to resolving the affordable housing problem and offers assistance to all Counties.

Director Thompson commented that Fact No. A in the For Action used the word "inflexible" to describe the government approval process that Counties may not agree with. However, as it is not in the Resolution, he supports adoption of Resolution No. 101.

There being no further discussion, the motion to adopt Resolution No. 101 was unanimously carried.

APPROVAL
OF
RESOLUTION
NO. 101
EXPRESSING
SUPPORT
OF COUNTY
AFFORDABLE
HOUSING
EFFORTS
AND
OFFERING
HCDCH
ASSISTANCE
TO WORK
TOGETHER
TO
FACILITATE
THE
DEVELOP-
MENT
OF
AFFORD-
ABLE
HOUSING

Staff's recommendation was presented as follows:

That the HCDCH Board of Directors approve the Report to the Twenty-Third Legislature Pursuant to Act 227, Session Laws of Hawaii 2002 Requesting the Housing and Community Development Corporation of Hawaii to Submit a Report Relating to Public Housing Eviction Procedures

Director Smith moved, seconded by Designee Oliva

That staff's recommendation be approved.

Legislative Coordinator Mavis Masaki explained that Act 227, Session Laws of Hawaii 2002, streamlined the eviction process for the HCDCH's public housing residents by eliminating the administrative appeal of eviction board hearings. Section 9 of Act 227 requires HCDCH to submit a report with specific information relating to the eviction process. She stated that on Page 1, No. 1, Paragraph No. 3, "FY 2003 and 2004 statistics..." should be deleted, as it is not relevant to the information required in no. 1 of the report.

Director Smith suggested that a very important piece of information in the report is on Page 3, Paragraph 1 that notes that the previous process took an average of 18-24 months to complete as compared to the current 12 months. This piece of information should be highlighted in the report by placing it at the beginning of the report.

Director Thompson referred to the Table on Page 1 that shows data from FY 2003 and FY 2004. Ms. Masaki answered that the Legislature requested data by Fiscal Year following the request. FY 2003 and FY 2004 show very little data due to no hearings being held as the new Administrative Rules were being adopted.

Director Thompson commented that he agreed with Director Smith that showing the decrease in time is important; however, there is no relevant data that can support this finding.

Hearings Officer Lili Funakoshi responded that when the legislation was passed, it was understood that the process was very lengthy; however no data to substantiate the statement was available.

Director Thompson suggested that data from the time that the legislation was passed be compared to the current data after the statute was changed for comparison purposes.

Ms. Aveiro stated that it would be included in the report.

Director Thompson also asked if it were possible to process evictions within a month, similar to other agencies on the mainland.

Ms. Masaki pointed out that the length of eviction was measured from the day that the first written notice was given to the tenant to the date that the writ of eviction was executed. Under the new procedure, there could be several notices written to the tenant prior to the actual eviction notice. Management will initially work with the residents such as a payment plan to bring their accounts current. Therefore the length of time that is measured could be increased due to efforts to find a resolution prior to eviction despite the elimination of the administrative appeals process. She pointed out page 3 of the report that shows this informal process to avoid eviction has been demonstrated during the past fiscal year by 830 cases being resolved out of 840 delinquencies.

REPORT
TO THE
TWENTY-
THIRD
LEGIS-
LATURE
PURSUANT
TO
ACT 227,
SESSION
LAWS OF
HAWAII
2002
REQUESTING
THE
HOUSING
AND
COMMUNITY
DEVELOP-
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CORPORA-
TION
OF HAWAII
TO SUBMIT
A REPORT
RELATING
TO
PUBLIC
HOUSING
EVICION
PROCE-
DURES

Ms. Aveiro commented that although the process has prevented more evictions from occurring; the eviction process has been lengthened. As HUD may not look favorably toward the lengthy process, staff may need to change the process again in order to meet HUD's requirements.

Director Thompson suggested that staff include HUD's requirements in the report to make the legislators aware of other requirements HCDCH must comply with.

After discussion, Director Thompson moved, seconded by Designee Manayan

That the HCDCH Board of Directors approve the Report to the Twenty-Third Legislature Pursuant to Act 227, Session Laws of Hawaii 2002 Requesting the Housing and Community Development Corporation of Hawaii to Submit a Report Relating to public Housing Eviction Procedures as amended, and authorize the Executive Director to make the following amendments:

- A. Deleting the third paragraph of the response to question no. 1 on page 1 of the report relating to FY 2003 and FY 2004 statistics on cases referred for eviction prior to the effective date of Act 227;
- B. Revising the preamble on the first page of the report by showing the positive time savings impact of Act 227 and adding additional discussion that the U.S. Department of Housing and Urban Development continues to identify the lengthy eviction process as an area in which HCDCH still needs further improvement beyond what was accomplished in Act 227, SLH 2002; and
- C. Revising the first paragraph of the response to question no. 4 on the third page of the report by including data on the timeframe for evictions prior to the implementation of Act 227, if available.

As there was no further discussion, the motion to amend staff's report as discussed was approved.

Monique Ocampo of the Residents Advisory Board (RAB) commented that much of the 18-24 months is due to the time that the decision is in the courts since the tenants are able to appeal to the courts should the Hearing Board evict them. Ms. Ocampo further commented that should the tenants win their appeal to the Courts, then they should be allowed to return to the housing unit that they had previously resided in rather than a different unit.

The Chair noted that the action before the Board is approving a report to the Legislature and not the eviction process. He therefore asked for a vote on the main motion to approve staff's recommendation. The motion was unanimously carried.

Staff's recommendation was presented as follows:

That the HCDCH Board of Directors approve the Report to the Twenty-Third Legislature Pursuant to Section 39 of Act 178, Session Laws of Hawaii 2005 Requesting the Department of Human Services to Submit a Report Relating to Homeless Program Services.

APPROVAL
OF
REPORT
TO THE
TWENTY-
THIRD
LEGIS-

Director Thompson moved, seconded by Designee Oliva

That staff's recommendation be approved.

Legislative Coordinator Mavis Masaki reported that a budget increase of \$1.65 million for the Homeless Programs was included in the fiscal biennium budget July 1, 2005 - June 30, 2007. This budget includes a proviso that the Department of Human Services (DHS) submit a report to the Legislature as to how the funds will be expended. Although HCDCH is administratively attached to DHS, DHS is subject to a fine of \$10,000 per business day that the report is submitted late. The due date was twenty days prior to the start of the 2006 legislative session, or December 29, 2005. The report was provided to DHS on December 2, 2005.

Ms. Masaki further noted that the report indicates a higher amount than the budgeted amount as the Homeless Programs Office elected to allocate additional funding from a different source.

The motion was unanimously carried.

Director Thompson moved, seconded by Designee Manayan

That the Board recess at 10:30 a.m.

The motion was unanimously carried; meeting reconvened at 10:35 a.m.

Acting Development Section Chief Tom Otake stated that the Development Agreement between HCDCH and Castle and Cooke Homes Hawaii, Inc. (Castle & Cooke) was executed as approved by the Board on November 17, 2005. Representatives of Castle & Cooke Hawaii, Inc. were invited to attend the meeting pursuant to a request by Director Smith to further review the process and progress of the proposed project in Kapolei.

Rick Prahler of Castle & Cooke then addressed the Board commenting that this was the first time in his 25 years of experience as a developer, that the State has asked them if there was any assistance that the developer could use to expedite the development.

Mr. Prahler stated that applications for the subdivision, construction improvements and building permits have been submitted. The approval for HRS 201G exemption will not be submitted as currently they are in agreement with the City & County regarding the parking requirements.

(Director Smith left the meeting at this time - 10:35 a.m.)

As Castle & Cooke develops both affordable and market homes, the overall approval process needs to be expedited; however, a main concern is that it does not affect the market housing approval process. Mr. Prahler introduced Tony Gaston, Director of Engineering, Andrew Furuta, Project Manager, and Keith Sawamura of Design Partners, the architect for the project.

Director Thompson stated that the main intent of Director Smith's request for Castle & Cooke to appear at the Board meeting, was to let Castle & Cooke know that the Board is available to assist, whenever possible, in expediting the development of the project due to the need for affordable housing. Minimization of any approval process to keep the project on or ahead of schedule is one area that the Board may be able to assist in.

(Director Smith returned to the meeting at this time - 10:40 a.m.)

LATURE
PURSUANT
TO
SECTION 39
OF
ACT 178,
SESSION
LAWS
OF HAWAII
2005
REQUESTING
THE
DEPART-
MENT OF
HUMAN
SERVICES
TO
SUBMIT A
REPORT
RELATING
TO
HOMELESS
PROGRAM
SERVICES

OFFICE
OF
EXECUTIVE
DIRECTOR
REPORT -

DEVELOP-
MENT
SECTION

Mr. Prahler thanked the Board for the offer of assistance. He commented that their timetable was based on past experience, and Castle & Cooke should be able to complete the development as projected.

Tony Gaston then addressed the Board stating that he is responsible for subdivision mapping and processing construction documents through the City & County of Honolulu (City & County). Their portion of the proposed project would probably take approximately ten months to complete. The first five months would be dedicated to design work. After this is complete, the plans are submitted to the various agencies of the City & County. This process may take another five months as various agencies such as the Department of Transportation, Fire Department, Board of Water Supply, and Facilities & Maintenance review and comment on the plans. The processing through the Department of Planning & Permitting may be a lengthy process as it has four divisions (zoning, civil engineering, traffic, and parks) that must approve the plans. Mr. Gaston also stated that his office has met with this particular agency of the City & County earlier that week regarding the proposed project in Kapolei. The agency was shown the preliminary plans as an affordable housing development in conjunction with the State and was agreeable to the concept and encouraged Castle & Cooke to proceed with their plans. It is hoped that the process may be able to be shortened by several months. Temporary subdivision approval is targeted for 2006. The City & County needs to determine that there is little movement within the parcel itself. Much of the design work therefore needs to be completed before approval is given. As the development is a multi-family project, there will be minimal movement regarding the buildings and parking.

Director Smith asked if it were possible to receive approvals simultaneously from the City & County agencies to expedite the development process. Mr. Gaston stated normally it is done simultaneously however, after the City & County makes their comments on the design work, this may affect selected agencies within the City & County. This is when the process can be lengthened or shortened.

Director Smith further asked if there were any State agencies involved in the temporary subdivision approval process. Mr. Gaston stated that there may be a need to contact the State Department of Transportation later due to a roadway issue. After the temporary subdivision approval is obtained, the grading permit process takes approximately one week.

Keith Sawamura then addressed the Board stating that the City & County has a master tract process for multi-family development. This is a two-step system as the developer submits a full set of architectural/structural drawings, which are reviewed for health & safety, basic structural work, and ensuring that the drawings comply with current laws. Historically, this first step would take approximately four months.

Once these plans are approved by the City & County, the next step is to receive individual building permits for the individual structures. This next step will take approximately five months as past experience has shown. The City & County requires a multi-family project to be approved by a commercial plans examiner. Currently, due to various reasons, there is only one person reviewing every commercial project that is done in the City & County of Honolulu. Due to this, Mr. Sawamura stated that delays are anticipated as in another project rather than four months for the process, it is now allowing for one year. Should Castle & Cooke decide to not submit plans in the master tract process and apply for individual building permits, it is anticipated that this process will take one year, as it still needs to go before this one person.

Director Thompson asked if there was any communication with the City & County administration about this process that is affecting many developments throughout the state. Privatization may be a solution to expedite the processing. Mr. Gaston answered that the administration is aware of the problem, however one issue for outsourcing would be liability on the part of the consultants as the City & County may make a change after the approval is given. The City & County administration is aware of the problem and is trying to hire more personnel in this area. He further stated that the time schedule for the project includes the current situation with the permitting process.

Mr. Otake commented that this process took two years for review and approval of the traffic signal plans for the Villages of Kapolei due to the shortage of personnel with the City & County. Mr. Otake further commented that Castle & Cooke has a good reputation as a developer and has established a good working relationship with the City & County; staff is therefore confident that they will be able to deliver the final product as planned.

The Chair thanked the representatives of Castle & Cooke for making themselves available to the Board for questions.

Mr. Otake then continued his status report by commending Stan Fujimoto who worked on the Development Agreement adding that he drafted the Agreement for the Kau`olu Project which has been simplified as requested by the Board.

He then asked Sales Coordinator Marcia Kamiya to update the Board regarding the sale of the Franks property. Ms. Kamiya stated that the loan documents are not ready; an extension of the purchase is anticipated.

Director Thompson commented that the sale was based on an "as is" basis yet the purchase price has been slowly decreasing. He further noted that the sale now is subject to a soils and civil engineering report which does not make it as an "as is" sale.

Ms. Kamiya stated that all disclosures were made to the potential purchaser about the parcels as to how and why they were repurchased. However in one lawsuit there was testimony that the lot was not stable due to water damage. The potential purchaser then consulted with a civil engineer who had indicated that the ground needed to be stabilized with more drainage. Staff agreed to decrease the sales price to offset some of the costs.

Director Smith asked if the extension to close the purchase is due to documentation and not with the actual loan or a change in the decision to purchase the property. Ms. Kamiya stated that she did not believe there is any problem with closing the loan as the purchaser has invested much into the property.

Mr. Otake continued his report by stating the County of Maui did not extend the sewer capacity agreement beyond September 13, 2006. Project Manager Stan Fujimoto clarified that the County of Maui previously indicated that it would extend the existing agreement provided that it will use up to 1 million gallons per day (mgd) out of HCDCH's 1.8 mgd for the Leiali'i project. However, the County of Maui, in a letter dated November 10, 2005, denied the extension of the agreement beyond September 13, 2006. A new agreement for the Department of Hawaiian Home Lands' Villages 1A and 1B may be discussed. Any other project must be processed individually and subject to availability of the sewer capacity at the time of building permits. Mr. Fujimoto stated that HCDCH would then have to buy the sewer capacity, subject to availability.

Mr. Otake added that initially \$12 million was given to the County for the sewer capacity. Director Thompson commented that the \$12 million was for the sewer capacity increase with the understanding that Villages of Leialii was to be developed and that this would be reserved for the project. Although HCDCH has not yet used the capacity yet, as Mr. Fujimoto indicated, HCDCH has to buy back capacity that it has already paid for but not yet used.

Mr. Otake commented that prior to the ceded lands lawsuit, it appeared that development of the area was to proceed. Due to the ceded lands issue, a transfer to DHHL for the two parcels was done.

Mr. Fujimoto stated that the remaining parcels in Leialii were ceded lands. Director Smith stated that if this were the case, then HCDCH would be legally precluded from moving forward with any development until the lawsuit is resolved. She further asked if it were possible to require the extension pending resolution of the lawsuit noting the critical issue and as Director Thompson noted that the State has already paid for the capacity.

The Chair asked staff to follow through on the Directors' suggestions and pursue the options that are available for HCDCH regarding this situation, including any legal action that may have to be taken.

Chief Planner Janice Takahashi reported that the proposed report incorporates the comments that evolved from the lengthy discussion by the Board about the split in the background information. These comments include the timing of the split, the progress that HCDCH has made and no longer a troubled agency. However in order to comply with the law, HCDCH will go forward with the split.

She reviewed the major milestones necessary to effectuate the reorganization that staff has been able to meet and is on schedule to meet the July 1, 2006 effective date. Additional positions will be requested via the report as well as with legislation. Approximately \$1.8 million in capital improvement program (CIP) funds will be requested to renovate the School Street offices for the public housing agency. She stated that the 276-page proposed bill is available should the Board like to review it in its entirety.

Director Thompson asked how the \$1.8 million CIP request affects staff's ability to occupy the School Street offices, noting that CIP is a lengthy process. Should the funding be approved and the work started, it would probably be July 2008 when occupancy can take place. He asked how staff plans to manage doing without this office space for a two-year period.

Executive Director Stephanie Aveiro stated that during the transition period beginning July 1, 2006, there would be small steps to move toward finalizing the split. There will not be two Executive Director and two Executive Assistants on July 1, 2006, as the positions will need to be established and filled. Staff anticipates possible dual performance for one Executive Director. Depending on the Boards' decisions, a person may be appointed to be Acting Executive Director or temporarily assign a staff person. Ms. Aveiro stated that it would not be under ideal conditions, but that it is possible. Some personnel may need to continue to work from the Queen Street offices despite the fact that they are working for the public housing agency. She further stated that many of the proposed positions are in the Finance & Development (FD) agency as the Legislature may be more apt to expeditiously approve their establishment.

DISCUSSION
AND
POSSIBLE
ACTION
ON
REPORT
TO THE
TWENTY-
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HOUSING
AND
COMMUNITY
DEVELOP-
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OF HAWAII
PURSUANT
TO
ACT 196,
SESSION
LAWS
OF
HAWAII
2005

Ms. Takahashi stated that the proposed legislation will need to be introduced to the Legislature and staff plans to request this of the Chairs of the two Housing Committees. Director Thompson commented that the proposed legislation will need to be heard in various committees and at the earliest, may be adopted in April or May 2006 in its current form or with changes made.

Director Smith noted that the Legislature may not agree with the proposed legislation and therefore whatever is in the current bill is the only tool that staff can use as a guide relative to the split. She further asked when the names would be submitted for the Boards. Ms. Takahashi answered that it would be in February 2006.

As there was no further discussion, the Chair asked if there was a motion to approve the report as submitted by staff. Director King moved, seconded by Designee Manayan

That the HCDCH Board of Directors approve the Report to the Twenty-Third Legislature Relating to the Reorganization of the State's Housing Functions Pursuant to Act 196, Session Laws of Hawaii 2005 as submitted by staff.

Before voting on the motion, the Chair asked for any further discussion.

Director Smith expressed her appreciation that a paragraph had been added that reflects the fact that this may not be an appropriate time to go forward with the split. She further recognized the need to submit the report to the Legislature, however, as in the past, she will vote not to approve the report.

Director Thompson commented that he totally disagreed with the reorganization, however, felt that there was no choice but to go forward and submit the report.

There being no further comments, the Chair asked for a vote on the motion, and the votes, on roll call, were as follows:

AYES: Director Charles King
 Designee Rick Manayan
 Designee Henry Oliva
 Director Charles Sted
 Director Travis O. Thompson

NAYS: Director Linda Smith

The motion was carried.

The Chair stated that the Asset Subcommittee developed the policy questions so that the answers for the first few questions would make the latter questions irrelevant/relevant for further discussion. He therefore began the discussion with the first question: Generate capacity for transformation or work with what we have?

He reported that the Asset Subcommittee had several meetings with the consultant regarding their report, and it became apparent that the Subcommittee needed direction from the remaining Board members before it could go any further. The decisions by the Board on the policy questions will provide the next phase of work on the part of the consultant. The subcommittee has a very clear understanding of the properties that the agency has, the types of properties, the conditions and some information about prospects for monetization or not.

DISCUSSION
AND
ADOPTION
OF
POLICY
GUIDANCE
REGARDING
HOUSING
AND
COMMUNITY
DEVELOP-
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CORPORA-
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HAWAII
ASSET
MANAGE-
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Director Smith added that the report was limited to assets on Oahu and not the neighbor islands. Another caveat that she had wanted to have the Board be aware of was that HCDCH might not have as much flexibility as the U.S. Navy did with their assets. The Chair also commented that the consultant has vast knowledge as to what other communities on the mainland have done with their aging inventory.

The Chair asked for comments on the first question:

Generate capacity for transformation or work with what we have?

The Chair stated that this question is basically asking if HCDCH should do a large-scale transformation or make the best with the current inventory.

Executive Director Stephanie Aveiro commented that staff is working with its current inventory and maintaining them for continuous occupancy. However as resources are consistently being used, this option becomes a very expensive endeavor as some of the buildings are beyond their useful life.

Another option such as the large-scale transformation may be to sell the building and build a new building elsewhere where there will be minimal maintenance required. She supports this option as an alternative to maintaining existing inventory.

Designee Oliva asked how the split would impact on the asset management policy.

The Chair stated that the Board could choose to defer the decision-making process for six months until the two new Boards are formed. If not, it can make some policy guidelines to set some groundwork for the new Directors to have when they begin their policy-making roles.

Director Thompson commented that for the large-scale transformation, it would be a very challenging process for the Finance staff even if a creative and knowledgeable consultant were retained. The Chair agreed adding that it may be possible to monetize assets that may end up on the Development side and those resources may or may not be used to improve the public housing side. Director Smith agreed also commenting that there has been an attempt to minimize the number of assets that go to the Development side. However some assets were financed by Development and have to go to the F&D side.

Ms. Aveiro commented that F&D has valuable assets. The PHA and the State low-rent housing may be considered liabilities. The F&D could use their assets to develop affordable units to replace the need for a new public housing system. Although there will always be a need for low-income housing, it would be preferred to have it among a mixed-income housing project. This would be a long-term goal, as the current public housing system does not work.

Designee Oliva commented that the Board needs to remain focused on what its mission is and how it envisions housing in Hawaii should be.

Director Smith commented that in an ideal world, the assets could be looked at globally, and if there is no worry about displacement of families, to sell the assets and use the funds to renovate some of the public housing projects and/or develop market-based, for sale, or for rent facilities. Other existing assets could be considered as other alternatives for families to relocate while the existing buildings are being renovated. Maximizing the centrally located buildings by significantly increasing the density of the buildings would be a goal. However, this is not an ideal world.

The Chair summarized that asset management has been discussed for several years. One option is to not continue due to the impending split and allow the new Boards determine their own destiny.

Director Thompson commented that should the Board decide not to take action, then the agency has lost a minimum of six months that could make a difference in the housing market; yet if the Board takes action, it may not be taken any further after the new Boards are in place. However, it appears that the right action to take is to continue planning and taking action.

Designee Oliva agreed that as the Board continues to take action, it would at least provide the new Boards with a plan or a strategy as to how to solve the housing problems. Director King added that it would have helped the current Board had there been a plan in place; much time has already been expended where knowledge and information can be transferred to the new Boards. Director Smith commented that the Kau'olu Properties Subdivision is a good example of a pilot project as staff structured the agreement to provide for a \$1.5 million payment back to HCDCH in the future.

There being no further discussion, Director Thompson moved, seconded by Designee Oliva

That the HCDCH Board of Directors adopt a policy to generate capacity for transformation.

The motion was unanimously carried.

The second question, "Generate capacity by borrowing on CAP fund or monetize assets or both?" was then discussed. The Chair clarified that the question is asking whether the Board prefers to take an incremental approach to do small jobs at a time, or if the housing needs in the community are so great that every opportunity should be taken to fill this need.

Ms. Aveiro stated that the CAP fund is for federal project and receives \$12-\$15 million per year for the federal projects. As this annual amount is insufficient, HUD allows the PHAs to leverage 25% of the funds by borrowing against them to generate additional cash. The bond or loan that is generated could provide as much as \$50 million in additional funding. The 25% of the funds are withheld and used towards the payment. This method is being used by many PHAs.

Director Thompson asked Finance Branch Manager Darren Ueki if \$3 million is used for debt service, then what would the return be for the agency. Mr. Ueki stated that approximately \$45-50 million depending on a variety of factors such as the rating of the agency.

Director Thompson further asked if the proceeds would be restricted to certain usages such as modernization. Mr. Ueki answered that he would defer the answer to the Construction Management Section; however his understanding is that it would be limited to the same restrictions as the CAP Funds.

Ms. Aveiro commented that it might be possible to build new structures of mixed income rentals thus changing the face of the public housing system.

Chief Planner Janice Takahashi commented that pursuant to Act 196, the PHA does not have the authority to issue bonds. Inclusion of this authority is one of the requests that staff is submitting as proposed legislation.

Construction Management Section (CMS) Chief Edmund Morimoto added that the only caveat about borrowing on the CAP Funds is that there be a clear plan as to what the funds will be used for. The use is restricted to new development and existing modernization. Although it is Federal funds, the PHAs are encouraged to maximize the funds by leveraging it with other funds.

Director Thompson asked about the cost of borrowing on the funds. Mr. Ueki stated that there is concern about borrowing against funds that are appropriated on an annual basis. HUD has consistently lowered the annual appropriation amount during the past years. There is concern that should this trend continue the debt service ratio of 3:1 may not be able to be met.

Director Smith asked if any existing project would be required to be used as collateral for the loan. Ms. Aveiro stated that it is not a requirement. Regarding monetizing assets, there are public housing projects on prime pieces of property. However, alternate places for the current residents to relocate should these properties be sold to generate cash would need to be determined any sale could proceed.

The Chair added that there are also vacant properties that could be converted to affordable housing for an extended period of time and later be monetized. Director King also commented that similar to the Kau`olu property, assets could be monetized by selling the parking lots.

After discussion, Director Thompson moved, seconded by Designee Manayan

That the HCDCH Board of Directors adopt a policy to generate capacity by both borrowing on the CAP funds and monetization of assets.

The motion was unanimously carried.

The Chair then asked for discussion on the third question, which was to have a pilot project or a larger scale transformation. The transformation would result from monetization of assets and then determination of whether to build new or renovate existing buildings.

Director Thompson commented that there might be other options. As the agency implements the first two actions, there will be opportunities to proceed incrementally as the cash resources become available.

The Chair commented that the term "Pilot Project" was a term used by the consultant who had informed the subcommittee that experience with other communities has been successful when the community tackled one transaction at a time. This allowed the community to become familiar with the details and comfortable with the entire process.

Director Smith added that the consultant had suggested categorizing the assets into 3 tiers or priorities. The first tier would consist of properties having the best opportunities. The second tier would have other assets that might have potential and the last tier would be those properties that can be examined at some time in the future for further analysis.

Director King commented that keeping in mind that the organization will be splitting in 6-7 months, it might be better to do things on a smaller scale rather than a large transformation.

The Chair suggested that guidance could be provided to a team of staff members and consultants in their determination of which projects should be pursued first due to the likelihood of success. This would then enable the Board to provide the new Boards a successful model that was done in a short period of time.

Director Thompson commented that the Board members, unlike staff, do not provide continuity of action. The Chair then asked for staff's comments about the Board's action on the policy question that could be helpful in their work.

Ms. Aveiro stated that staff needs a plan to follow and more than likely, staff would seek guidance on a case-by-case basis rather than a pilot project or a large transformation model.

The Chair commented that providing guidance to staff and the consultant to go forward on a case-by-case basis would alleviate any anxiety on the part of the residents who may believe that their residences are being targeted for monetization. This would then allow the agency to effectively communicate with the residents whose residence may be one that is being considered in the near future.

The Chair suggested limiting the discussion to one or just a few assets that would have a fair likelihood of success.

Due to time constraints, the Chair suggested that further discussion on the questions of Asset Management be calendared for the next Board meeting. Staff can proceed using the first two policy guidelines that the Board had adopted during the interim.

Director Thompson moved, seconded by Director King

That the minutes of the Regular Meeting held on November 17, 2005 be approved as circulated.

APPROVAL
OF
MINUTES -
11/17/2007

The motion was unanimously carried.

Director Smith moved, seconded by Designee Manayan

That the Board meet in Executive Session at 12:05 p.m. to discuss matters as set forth in the agenda under Executive Session.

EXECUTIVE
SESSION

The motion was unanimously carried.

(Directors Smith and Sted left the meeting at this time - 12:25 p.m.)

* * * * *

Vice Chairman King called for a recess at 12:25 p.m. and reconvened the meeting in regular session at 12:35 p.m.

Executive Director Stephanie Aveiro reported that her report has decreased significantly as all branches and offices are submitting their full report to the Board. Previously she had highlighted activities of the various offices within her report.

OFFICE
OF
EXECUTIVE
DIRECTOR
REPORT
(CONT'D)

She introduced the various staff members. She announced that Kevin Funasaki, Acting Construction Management Section Chief would be leaving the agency for the private sector at the end of the year. He has done an exemplary job developing the strategy to turn vacant units around.

Ms. Aveiro reported on the first Board-related correspondence from HUD regarding the Waimaha Sunflower Phase II project. The matter has since been resolved and approved by HUD. Director Thompson asked staff to provide more information on the agreement that HUD had approved.

BOARD-
RELATED
CORRES-
PONDENCE

Construction Management Section (CMS) Chief Edmund Morimoto explained that the contractor did not complete the job on time and had more than 500 days of liquidated damages. Upon completion of the job, the consultant recommended to staff that several hundred days of liquidated damages be returned or negated. This was agreed upon between the two parties. Ms. Aveiro added that HCDCH would receive approximately \$90,000 for the liquidated damages.

Executive Assistant Pamela Dodson reported that HUD returned the draft of the Improvement Plan with their very detailed input that had similarities to the original Memorandum of Agreement. Ms. Aveiro expressed her disappointment and commented that staff will be discussing the matter with HUD as the updated 10-Point Improvement Plan by HUD is not what was previously discussed with them.

IMPROVE-
MENT
PLAN

Designee Oliva asked if the Improvement Plan is similar to other PHAs that are being removed from the troubled agency status.

Acting Administrative Services Officer Patti Miyamoto stated that HUD had asked that staff reflect the results of the meetings with them in a draft Improvement Plan. However, HUD's input now includes items that were not discussed to the extent that it requires information on the split.

Ms. Dodson stated that HUD had asked that staff share the revised Improvement Plan with the Board and share the Board's concerns at a meeting to be held next week with HUD.

Director Thompson commented that the targeted dates by HUD for the various line items were very optimistic but not realistic considering the current situation.

Ms. Aveiro stated that HUD has agreed to evaluate HCDCH from a current date and measure the performance from that point in time. It was agreed that the tremendous backlog of repair work for units, would be considered separately. Vice Chairman King expressed his concern that this may not accomplish the underlying issue to raise the occupancy level of each project to 95%. All efforts will be focused on the current inventory and not the 95% goal of the agency.

Director Thompson referred to Attachment D-2, Page 1, Background, Paragraph 4, "The PHAS Vacant Unit Turnaround Time Certification FY 06 has noted various fluctuations in the number of units leased with an average of approx. 43 units per month for a total of 215 units in five months..." He asked for clarification on this statement.

Acting Development Support Section Chief Kevin Funasaki stated that 43 is the number of leases that are being leased per month in the federal public housing projects. It is to indicate how many new leases are generated on a monthly basis.

Ms. Aveiro noted that approximately 40 units are being turned around each month. All of the information provided gives staff the opportunity to draft a plan as to how to accomplish its various goals. Director Thompson encouraged staff to have the work done quickly using whatever resources are available, including contracting the work out.

Vice Chairman King asked what accounts for the high vacancy rates on some islands compared to the low vacancy rates on others. Mr. Funasaki stated that the vacancy rates are done on a project-by-project basis. Data on smaller projects with vacancies can be skewed tremendously due to the impact each unit has on a small project.

Director Thompson pointed out that although 40 units are being turned around, there are only 10 units that are being reduced overall in a month. With backlog of 750+ vacant units, that would involve more than 70 months before the agency is caught up with its vacancies.

Mr. Funasaki stated that HCDCH needs more assistance in getting these units readied. Of the 750+ vacant units, there are many that are scheduled for modernization and will not be ready for occupancy in the near future. Approximately 150 units are scheduled for modernization. Approximately 140 units are Type "C" units that require extensive repair work. Mr. Funasaki further stated that approximately 106 units are targeted for demolition. Therefore the 750+ vacant units is not a true reflection of the actual number of units that are vacant and are scheduled for occupancy.

Ms. Aveiro added that although there are buildings that are standing vacant, these buildings are scheduled for demolition but yet the units are included in the total vacant units of 750+. She further stated that staff other than the area management staff, are checking each unit to ensure that each one is categorized accurately. Ms. Dodson also commented that staff needs to be trained so that the same criteria is used for all projects as currently units are being categorized differently by the project staff.

Director Thompson referred to a previous meeting that Maintenance Hold units were described as type "C" units. Yet when he did a site inspection on Maui, the units that were categorized as "C" were not really "C". He agreed that there should be consistency with regard to how the units are categorized.

Ms. Aveiro stated that data is being gathered throughout the state and staff is working on an implementation plan that will require a lot of analysis. She continued that when a "C" unit is renovated, at some point it becomes a "B" unit and eventually an "A" unit. Also when a unit is "made ready" internal transfers occur as current residents' family size increases or decreases and/or management decides to move a family out of a "C" unit. Therefore the wait list does not decrease as HCDCH is responsible for the current residents in the project.

Director Thompson stressed that the number of vacant units must be accurately depicted so that it provides a true picture of what is readily available or available in the near future.

Vice Chairman King asked if staff knew how many "C" units are being occupied. Ms. Aveiro stated that staff is recording this information as the Annual Unit Inspections (AUI) are being done. This can then provide more accurate information regarding the vacant units.

Vice Chairman King further asked if it was possible to have residents move into a unit the day after the units is made ready for occupancy. Ms. Aveiro stated that staff is studying ways to improve the efficiency of the application process such as working in conjunction with DHS to ensure that the applicant is eligible using the same verifications. Staff is also contemplating contracting the services out on the neighbor islands.

Director Thompson referred to the Administrative Rules of the Planning and Evaluation Office status report. He asked about the series of rules that are placed on hold pending reorganization. Chief Planner Janice Takahashi explained that it is not critical to have the administrative rules in place; waiting until after the split occurs will eliminate having to repeat the process after the split occurs. Finance Branch Manager Darren Ueki agreed that there will be no negative impact on any of the programs should staff wait until after the split to change the Administrative Rules.

PLANNING
AND
EVALUA-
TION
OFFICE

Director Thompson commented that there was a good press release regarding a groundbreaking ceremony of a tax credit project on Maui. HCDCH should continuously distribute this type of communication to keep the public informed of what HCDCH is doing to provide housing in the various communities.

FINANCE
BRANCH

Ms. Aveiro agreed noting that the vacant Information Officer position is currently being actively recruited.

Director Thompson expressed his pleasure that a meeting with the residents of Waiahole Valley had taken place. Ms. Aveiro stated that there was one meeting held and that it was decided to continue discussions in 2006. She further stated that staff's request for state funding to fund the new water tank was denied by the Department of Budget & Finance; staff intends to submit a request to the Governor to use DURF funds for this purpose.

DEVELOP-
MENT
SECTION

Homeless Programs Office Administrator Sandra Miyoshi reported that the Homeless Awareness Week was held with much success in its efforts to bring awareness and understanding of the homelessness problem in Hawaii. She also reviewed the progress of the Governor's Developers Task Force that has targeted 17,000 affordable rental housing units to be made available as its goal.

HOMELESS
PROGRAMS
OFFICE

Director Thompson asked for the schedule of the follow-up work that was outlined in her report. Ms. Miyoshi stated that HCDCH would be contacting the various parties to establish what assistance they may need to accomplish their role in the overall plan.

CMS Chief Edmund Morimoto introduced two newly hired engineers, Derek Fujikami and Sahar Ibrahim. Mr. Fujikami, Ms. Ibrahim and other staff members, performed unit assessments and identified all repair problems of a project on the island of Hawaii. A Request for Proposal (RFP) was then developed to do the repair work, including work for "C" type units. Staff is awaiting responses for this RFP.

CONSTRUC-
TION
MANAGE-
MENT
SECTION

Ms. Aveiro explained that this was done, as the contract for the property management firm for the 45-unit project was not extended. Staff is currently managing the property and is waiting for the responses to the RFP to see what the cost will be.

Mr. Fujikami stated that it took approximately three weeks to make the assessment, develop the RFP and then advertise. This is one method that may be able to address the maintenance and repairs of a project in a timely manner; however the cost is still not known.

Director Thompson asked if staff has an estimated cost and if funds are available. Mr. Morimoto stated that staff is estimating it will cost approximately \$300,000 as most of the units are "A" and "B" types. Ms. Aveiro added that the proposed work is for the interior section of the units.

Director Thompson asked if this method would be performed on Maui. Mr. Fujikami stated that different options are being studied and the end result will probably be a blend of the various options.

Ms. Aveiro added that staff has an agreement with the Department of Public Safety to have some work done on Maui. Correctional Industries is another agency that HCDCH is pursuing a partnership with. Vacant units are also being used as a site to provide training for youth who are in the Youth Build program. Ms. Aveiro further stated that the Building Industry Association as well as some trade unions have agreed to use the vacant units as part of their apprenticeship program. Another group, PSI Hawaii, as a result of a local news story on the vacant units, have offered to donate their services, at no cost, to repair vacant units.

Director Thompson suggested that Network Enterprise be contacted as they provide services by the disabled and do excellent work. This is another way to maximize results as well as minimizing the overall costs.

There being no further business, Director Thompson moved, seconded by Designee Oliva

ADJOURN-
MENT

That the meeting be adjourned at 1:47 p.m.

The motion was unanimously carried.

LILLIAN KOLLER
Secretary

Approved: